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UNCLAS SECTION 01 OF 03 HANOI 001258

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E.O. 12958: N/A

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SUBJECT: VIETNAM: P.L. 108-7 - Consolidated Appropriations
Resolution for FY 2003, H.J. Res. 2, Section 585.
Transparency and Accountability.

REF: STATE 100283

1. This cable was originally sent May 5, 2003 but encountered TERP transmission problems. Post apologizes for the delay. Responses to reftel questionnaire follow:

a. Does host government publish national budget in a timely manner?

2 - Yes, with some delay (more than one year)

b. Where subnational levels of government are significant, are their combined fiscal positions published?

No - subnational levels are considered insignificant; combined fiscal positions are not published.

c. In what form in national budget published?

Internet, newspaper.

d. Please rate the quality and comprehensiveness of fiscal data published.

2 - Limited system of budget reporting and monitoring with limited classification system. Some payments arrears and deviations between actual expenditures and amounts budgeted.

e. List key laws/regulations governing public disclosure of revenues and expenditures in the national budget.

1 - Law on State Budget

2 - Decision 225/1998/QĐ-TTg of the Prime Minister on financial disclosure of the state budget for all levels of government

3 - Circular 01/2002/TT - BTC of the Ministry of Finance providing guidelines for the regulations on financial disclosure of the State Budget

f. Assess adequacy of those laws and regulations establishing fiscal transparency and accountability requirements.

3 - Detailed and comprehensive

g. Assess extent to which laws and regulations on fiscal transparency and accountability are implemented and enforced.

2 - Unevenly enforced

h. How would distribution of tax powers and expenditure responsibilities of central government be described?

i. Does a national audit body or equivalent organization, independent from the executive, provide reports for the legislature and the public on the financial integrity of government accounts?

No. There is a "State Auditor" which is the only body authorized by Vietnamese law to conduct government audits. The IMF does not consider the State Auditor to be sufficiently independent from the executive.

j. How would the link between nonfinancial public/state-owned enterprises and general government be described?

3 - Clear control under central government budget process

k. Are privatization processes transparent and published?

1 - Limited

l. How would the reliability of budget revenue and expenditure estimates best be described?

2 - Moderately reliable.

m. Please provide evaluation of host government commitment to fiscal transparency and accountability.

As part of the overall reform effort, Vietnam is attempting to improve its public expenditure management and the consistency and transparency of budgetary information. Up until 1999, the budget was covered by secrecy laws and was essentially considered a State secret. While certain "sensitive" budget items will remain opaque, some daylight is being inserted into the budget and budget process. Previously, only an aggregate amount of the total state budget revenue and only a total expenditure figure by Ministry was available publicly. Current publications provide details of state revenue broken down into 4 major and 11 sub-categories. Central Ministries and local government have begun to disclose more detailed budgetary data in accordance with transparency regulations. For the first time, limited budget information is freely available, whether posted on the local Commune's community bulletin board or via the Ministry of Finance's web page. However, while the situation is improved, Vietnam's budgetary system is still far from transparent and accountability remains a serious problems.

In December 2002, the National Assembly enacted amendments to the Law on the State Budget. Effective for the financial year 2004, it provides for the preparation, implementation, inspection, supervision, audit and balance of state budget. The law clarifies the specific duties and responsibilities of each state body in connection with the management and use of the revenues and expenditures of the state budget, including the National Assembly, the Government, governmental bodies, local People's Committees and People's Councils. Now, Ministry of Finance (MOF) is explicitly in charge of budget formulation while the Treasury Department (within MOF) is responsible for budget execution and reporting. The amendments also provide for the audit of the state budget, which must be carried out before the National Assembly or the relevant People's Council (which approves the state budget balance sheet). The State Auditor is by law the only body allowed/required to carry out such audits but it is not truly independent from the executive and its procedures are not truly transparent. The audit report must be reported to the National Assembly, the Government and other such bodies specified by law but it is not required to make such audits public.

Public Finance reform includes other projects to streamline the budget process, revise the budget law to capture 'off budget' accounts, better track cash transfers to the provinces, and just generally improve data management. However, the lack of basic mechanisms for monitoring the actual outcomes of public spending, including common accounting standards and integrated electronic data recording and reporting, weaknesses in transparency and accountability continue to exist.

n. Please list USG programs and activities that promote accurate disclosure of revenues and expenditures in the national budgets of your host country. Please also summarize the result of those programs and activities.

Increased transparency and accountability in Vietnam is directly linked to the country's economic, financial and trade-related reform efforts. USAID technical assistance in this area focuses on trade and investment, financial sector reform and economic governance. The major program in this area is the Support for Trade Acceleration (STAR), which is designed to support the Government of Vietnam's efforts to liberalize its trade and investment regime consistent with its commitments under the BTA. The BTA covers key issues related to transparency, rule of law, market access for goods, services and investment, protection of intellectual property rights, dispute settlement and business facilitation.

Through STAR, the USG provides technical assistance to identify necessary changes in laws and regulations, develop new laws and regulations that are compatible with international trade and investment norms. In 2002/3, STAR assisted Vietnam to revise several key laws, including the overall "Law on the promulgation of Laws" which provides the framework for increased lawmaking transparency and accountability. Since 1997, USAID has - through a grant to the U.S Vietnam Trade Forum - provided commercial law and trade policy assistance to key Vietnamese institutions in both the public and private sectors. The program has familiarized key Vietnamese officials with legal and economic concepts that are at the root of their reform effort.

USAID works in partnership with the government and the World Bank in support of Vietnam's emerging financial sector reform program. Over the past two years, USAID has funded two IAS audits of a state-owned commercial bank, in support of the GOVN/ World Bank/ IMF poverty reduction and growth facility (PRGF). The World Bank is focusing greater attention on this area to help Vietnam establish a single

system for planning, formulating, executing, and reporting on the budget through technical assistance and improved information technology. In addition, the Asian Development Bank and the UNDP are both involved in Public Administration Reform activities.

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